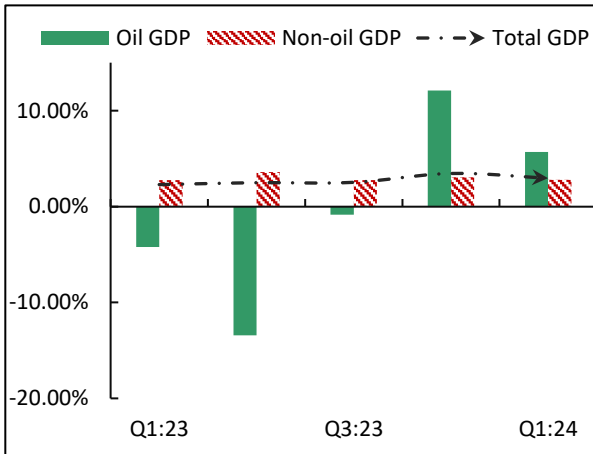


# GDP Report Q1:2024

May 2024

**Chart 1: Real GDP Growth (%)**

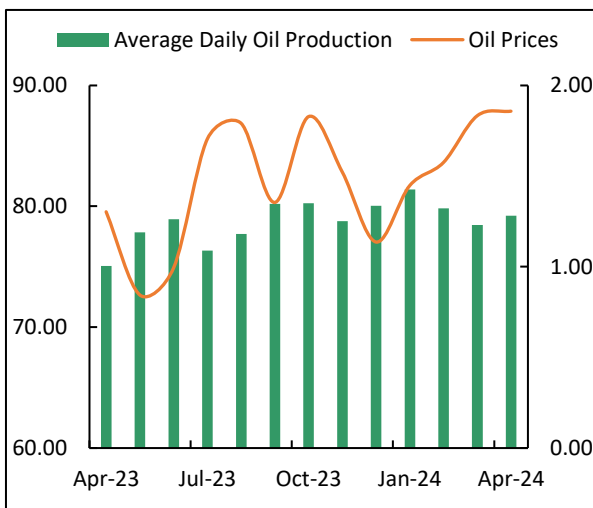


Source: NBS, Meristem Research

The National Bureau of Statistics (NBS) reported that Nigeria's Gross Domestic Product (GDP) expanded by 2.98% YoY in Q1:2024 to NGN18.28tn, compared to 2.31% YoY and 3.46% YoY in Q1:2023 and Q4:2023, respectively. The expansion is attributed to the growth in non-oil sector (+2.80% vs. 2.77% in Q1:2023) and modest growth in the oil sector's output, +5.70% YoY (better than the contraction of 4.21% in Q1:2023 but lower than 12.11% in Q4:2023). The moderate increase in the oil sector's output was owed to a slight uptick in crude oil production volumes during the period (1.57mbpd vs 1.51 in Q1:2023 and 1.55 in Q4:2024) while the non-oil sector's advancement was driven by the impressive performance of the financial and insurance sector (+31.24% YoY vs. 21.37% in Q1:2023). Oil contribution to GDP climbed to 6.38% compared to 6.21% in Q1:2023 and 4.70% in Q4:2023. Notable activities with strong contributions to the real GDP include Agriculture (+21.07%), Trade (+15.70%), Information & Telecommunication (+14.58%), Financial and Insurance (+6.35%), Real Estate (+5.20%), and Construction (+4.01%).

## Oil Sector to Maintain Growth Trajectory

**Chart 2: Oil Production (mbpd) (RHS), and Average Oil Price (USD/bbl)**



Source: NBS, Meristem Research

Nigeria's oil sector sustained its growth trajectory, recording its second consecutive quarter of expansion with a 5.70% YoY increase in Q1:2024. Average production volume rose by 3.97% YoY during the period to 1.57 million barrels per day (mbpd), compared to 1.51mbpd in Q1:2023 and 1.55mbpd in Q4:2023 (per NBS estimates). The increase is attributed to the Federal Government's efforts to address operational spillage from vandalism and oil theft. Initiatives such as the introduction of Alternative Crude Oil Evacuation Systems (ACOES) have enhanced crude oil transportation methods. However, production remained under pressure due to ongoing oil theft and vandalism activities, which targeted critical infrastructure like the Trans Niger pipeline, as well as maintenance activities at various terminals during the period.

Moving forward, we expect a significant increase in oil production, driven by several positive factors. The reopening of previously maintained terminals, the repair of the Trans Niger pipeline, and the resumption of production at the Awoba terminal - which is expected to add approximately 360,000 barrels of oil per month - could all contribute to a boost in the country's oil output. Furthermore, the Federal Government's recently introduced fiscal incentives designed to optimize contracting costs & timelines, eliminate leakages, ensure compliance with local content requirements industry and attract investments into the Nigerian oil and gas sector could yield medium to long-term benefits. Additionally, the 9-month licensing round for 12 oil wells, set to commence in Q2:2024, could promote global collaboration and as such, provides a promising outlook for the country's oil sector.

### Cautious Outlook for the Non-Oil Sector Amid High Policy Reforms

In Q1:2024, the high interest rate environment and policy reforms hindered growth in sectors like manufacturing and telecommunication. Consequently, non-oil GDP growth slowed to 2.80% YoY in Q1:2024, compared to 3.07% in Q4:2023 and 2.77% YoY in Q1:2023. Despite remaining a major contributor to total GDP, the non-oil sector's share fell to 93.62%, its lowest level since Q1:2022.

The Agricultural sector logged its lowest growth in four quarters at 0.18% YoY (vs 0.90% YoY in Q1:2023 and 2.13% YoY in Q4:2023), owing to persistent bottlenecks plaguing the country's food sector, such as insecurity in major food-producing areas. **While government subsidies on agricultural inputs and the recent initiative on year-round cropping (for select products like rice, maize, and soybeans) offer promising opportunities, our 2024 outlook for Nigeria's agricultural sector remains tempered. Persistent insecurity and infrastructural challenges are likely to hinder the sector's expansion capacity in the near term.**

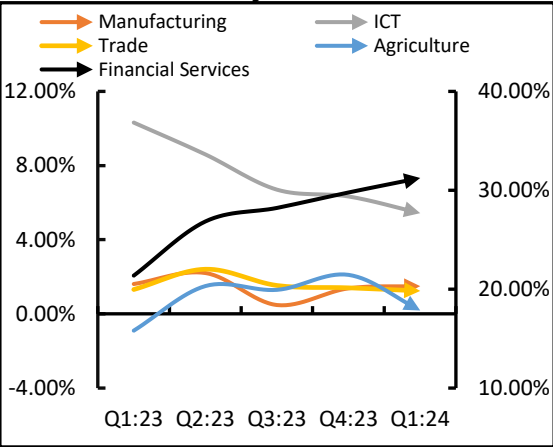
Despite elevated expenses and high borrowing costs during the period, the Manufacturing sector was resilient, expanding by 1.49% YoY (vs 1.61% in Q1:2023 and 1.38% in Q4:2023). Specifically, expansions in the food, beverage & tobacco (+2.62%), chemical & pharmaceutical products (+2.55%) and cement (+2.05%) sectors were offset by declines in textile, apparel & footwear (-1.75%) and oil refining (-33.38%) sectors, amongst others. **Owing to the high-interest environment, increased electricity tariff, and the ongoing Naira depreciation, we foresee growth in the manufacturing sector to remain moderate in the near term.**

Similarly, the ICT sector continued to underperform in Q1:2024, growing at its slowest pace since Q4:2021 by 5.43% (vs 6.93% in Q4:2023 and 6.69% in Q1:2023). Given the nature of the sector, currency depreciation and high borrowing costs deterred CAPEX investments and system upgrades during the period. Also, the impact of the increased demand for connectivity and data was dragged by a decline in subscriber base (-2.41% to 219mn from 224mn as of Q4:2024). **In the near term, our outlook remain modest. While a growing digital appetite will sustain growth, further Naira depreciation and the mandatory implementation of NIN-SIM linkage by telcos (which will lead to a decline in subscriber base) could hamper output.**

The financial services sector continued its growth path in Q1:2024, driven by higher interest income, FX revaluation gains, technological and digital advancements, and increased underwriting profitability. As a result, the sector expanded by 31.24% YoY, compared to 21.37% and 29.78% in Q1:2023 and Q4:2023, respectively. **We maintain a bullish outlook on the sector's performance in the near term, although this remains contingent on the CBN's policy direction.**

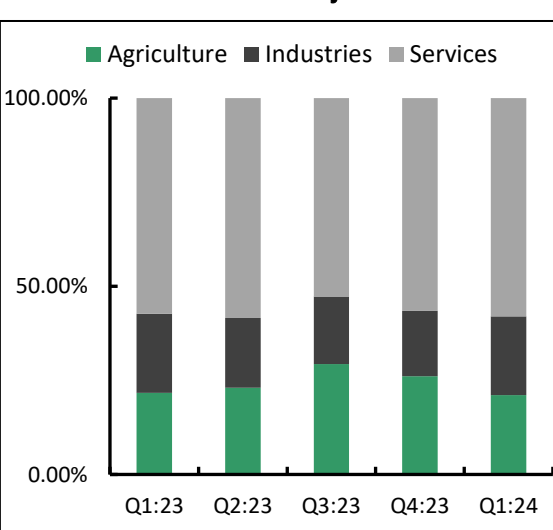
Ultimately, on the back of improved oil GDP and resilience of the non-oil sector, we project a GDP growth of 3.20% YoY in 2024FY.

**Chart 3: GDP Growth by Sector**



Source: NBS, Meristem Research

**Chart 4: Contribution to GDP by Sector**



Source: NBS, Meristem Research

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